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SUBJECT: RENEWABLE ENERGY INVESTMENTS IN KUWAIT DIFFICULT

REF: A. STATE 95170
¶B. KUWAIT 823
¶C. KUWAIT 647

¶11. (SBU) Per ref A, post is providing information on the limited alternative energy investment opportunities in Kuwait. Kuwait holds 9-10 percent of the world's proven oil reserves, and the nation's economy overwhelmingly revolves around upstream petroleum activities and certain downstream activities, notably crude oil refining and petrochemicals. Electricity is highly subsidized at two fils per kilowatt hour (2/3 of a cent) and projected demand growth is expected to double by 2021. Kuwait has investigated renewable energy in the past, primarily through the Kuwait Institute for Scientific Research (KISR). The Ministry of Electricity and Water is also examining the potential for wind energy and the GoK is actively -- albeit slowly -- exploring the potential for developing peaceful nuclear energy.

¶12. (SBU) Although the GoK has announced a policy of diversifying the economy away from its overwhelming dependence on oil and could view alternative energy as a potential power source allowing it to export more oil, the overall investment climate in Kuwait would make it difficult for the proposed USRG private equity fund to operate effectively (ref A). Post is unaware of any private sector initiatives in the alternative energy sector. There is a \$100 million KPC Energy Ventures, Inc., a wholly-owned subsidiary of Kuwait Petroleum Corporation (KPC), the national oil company. While KPC EVI's focus includes innovation in "low carbon fuels, high efficiency vehicles... and sustainable petrochemicals," the fund's raison d'tre is to "maintain oil's long-term competitive position." Specifically, KPC EVI focuses on the "development of new technologies which make oil more efficient and environmentally-friendly." KPC EVI, whose partners include MIT's Industrial Liaison Program, has made six major investments to date, mainly in the clean fuels technology sector. Post's sources at KPC indicate that KPC EVI may be considering expanding its mandate to include investments in non-petroleum alternative energy technologies, though such deliberations are at an early stage.

¶13. (SBU) As noted in post's Investment Climate Statement for 2009, Kuwait has failed to attract significant FDI in recent years. Much of the petroleum sector remains off-limits to foreign investors, there are very lengthy bureaucratic procedures in place for securing business permits and licenses for both Kuwaiti and foreign businesses, and there exists a local business culture based on clan and family relationships that often precludes meaningful foreign participation.

¶14. (SBU) Two major conferences pertaining to energy, including alternative energy technology, will convene in

Kuwait in November 2009. First, the Kuwait Society of Engineers and the World Federation of Engineering Organizations -- in close collaboration with the GOK -- are hosting an international conference November 1-6 entitled "Alternative Energy Applications: Options of Necessity?" (Note: the organizers sent an invitation to Secretary of Energy Dr. Steven Chu. End Note). Second, the GOK and Arab League are jointly hosting an international workshop November 15-17 on "The Economics of the Rehabilitation Development of Electric Systems," in partnership with the Arab Industrial Development and Mining Organization and the Arab Union of Producers, Transporters and Distributors of Electricity.

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